

# **THE CALIFORNIA TECHNOLOGY, TRADE AND COMMERCE AGENCY**

**INTERNATIONAL TRADE AND INVESTMENT DIVISION**



## **CALIFORNIA'S INTERNATIONAL TRADE 2001**

## INTRODUCTION

The California Technology, Trade and Commerce Agency serves as the state's principal catalyst for innovation, investment and economic opportunity, enhancing the quality of life for all Californians. California produces more than \$1.35 trillion in goods and services annually, making the state the fifth largest economy in the world. California is the prime hemispheric gateway for trade and investment in the United States, with annual exports totaling over \$100 billion. Through its five stateside and twelve overseas offices in Asia, Europe, Latin America and Africa, the International Trade and Investment Division works to increase exports and attract foreign direct investment, creating new jobs and economic opportunities for Californians.

In 2001, California exported \$106.8 billion worth of goods to 219 countries worldwide. Exports declined by 10.7 percent from 2000, when sales reached a record high of \$119.6 billion. The decrease in exports was attributable to the overall global economic slowdown, which was intensified by the attacks of September 11<sup>th</sup>. Regardless, California maintains its perennial position as the number one exporting state in the nation, leading second-place Texas by nearly \$12 billion. As the nation's top exporting state, California exports accounted for 14.6 percent of total U.S. overseas sales in 2001. Total United States exports also experienced a decrease in 2001, falling 6.3 percent to \$731 billion, down from \$780.4 billion in 2000.

TOP U.S. EXPORTING STATES					
(values given in billions)					
Rank	State	2000	2001	% Change 2000-01	% of Total U.S. Exports
1	California	\$119.6	\$106.8	-10.75	14.6
2	Texas	103.8	95	-8.54	13
3	New York	42.8	42.2	-1.6	5.7
4	Washington	32.2	34.9	8.4	4.7
5	Michigan	33.8	32.3	-4.4	4.4
6	Illinois	31.4	30.4	-3.2	4.2
7	Florida	26.5	27.2	2.4	3.7
8	Ohio	26.3	27.1	2.9	3.7
9	New Jersey	18.6	18.9	1.6	2.6
10	Massachusetts	20.5	17.5	-14.7	2.4

Source: Massachusetts Institute of Social and Economic Research (MISER), NAICS Data

## JOBS AND INTERNATIONAL TRADE

International trade and exports translate into high-paying jobs for over 1.5 million Californians. California leads the nation in export-related jobs. Workers in jobs supported by trade earn on average 13-18 percent higher wages than the national average. Export-supported jobs account for over 10 percent of California's total private sector employment – about one in ten jobs.

## CALIFORNIA'S KEY EXPORT INDUSTRIES

California's main strength as a successful exporting state is its diversity. California is home to several important export industries, including computers and information technology, entertainment, agriculture, chemical production, aerospace and manufacturing. California export sales exceeded \$1 billion in 16 of 31 export categories tallied by the NAICS (North American Industry Classification System) series. The following chart lists California's top 10 export industries in 2001.

CALIFORNIA'S TOP TEN EXPORT CATEGORIES, 2001		
RANK	INDUSTRY	2001 EXPORTS (in billions)
1	Computer and electronic products	\$50.3
2	Non-electrical machinery	\$10.7
3	Transportation equipment	\$8.4
4	Chemicals	\$5.2
5	Miscellaneous manufactured commodities	\$4.4
6	Agricultural products	\$3.9
7	Food and kindred products	\$3.9
8	Electrical equipment and appliances	\$3.3
9	Fabricated metal products	\$2.4
10	Plastics and rubber products	\$1.6

Source: MISER

Of these categories, California leads the nation in exports of computer and electronic products, and in sales of food and kindred products. California exports of computer and electronic products account for 47 percent of all California exports, and 30.4 percent of total U.S. exports in that category.

Twelve of California's top-20 export industries experienced growth in 2001. Key sectors showing strong double-digit growth include: food and kindred products (\$3.9 billion, up 13.6 percent), fabricated metal products (\$2.4 billion, up 17 percent), and textiles and fabrics (\$553.7 million, up 19.2 percent).

## MAJOR EXPORT DESTINATIONS

California has traditionally served as the gateway to Asia for U.S. exporters, but sales to the North American and European markets are nearly as significant.

- Exports to Asia reached \$45.9 billion, a decrease of 11 percent from 2000. California is the top exporting state to Asia, comprising over one-quarter of total U.S. exports to the region. With sales of \$14.6 billion in 2001, Japan is California's second-largest export market. Exports to Asia accounted for 43 percent of 2001 California exports worldwide.
- California exports to Europe (including the former Soviet Republics) totaled \$24.8 billion in 2001, down 10.5 percent from 2000. California is also the top exporting state to Europe. Twenty-three percent of California's exports are sold in Europe.

- Export sales to North America, Latin America and the Caribbean reached \$31.3 billion in 2001, comprising nearly 30 percent of total California exports. Exports to NAFTA partners Canada and Mexico accounted for the bulk of this figure. Mexico is California's top export market, and Canada is the state's third-largest market.
- For more detailed information on California exports by country and industry, visit the Technology, Trade and Commerce Agency's International Trade and Investment Division's website at <http://www.tradeca.com>.

<b>LEADING CALIFORNIA EXPORT MARKETS</b> (in billions)			
COUNTRY	2000	2001	% Change 2000-01
Mexico	\$17.5	\$16.3	-6.7
Japan	16.4	14.6	-11
Canada	14.1	11.8	-16
China (Taiwan)	7.4	5.6	-23
United Kingdom	5.9	5.6	-6.6
Korea	6.9	5.0	-27.2
Germany	5.3	4.6	-11.5
China (Mainland)	3.5	4.6	32
Netherlands	4.9	4.3	-12.9
Singapore	5.0	4.2	-15.6
<b>Total CA Exports</b>	<b>\$119.6</b>	<b>\$106.8</b>	<b>-10.75</b>

Source: MISER, NAICS (North American Industry Classification System) data

## CALIFORNIA'S EXPORTS TO MAJOR WORLD REGIONS

California's export patterns are reflective of its advantageous geographic location on the edge of the North American Pacific Rim and its shared border with Mexico and proximity to the rest of Latin America.

### ASIA PACIFIC

California, the nation's top exporter to Asia, has traditionally had a very strong economic relationship with the Asia-Pacific region due to the state's strategic location and large ocean shipping ports. Exports to the Asian 10 (Japan, Korea, China, Taiwan, Hong Kong, Singapore, Thailand, Indonesia, the Philippines and Malaysia) accounted for 42 percent of all California exports in 2001. Export sales reached nearly \$45 billion but declined by 11.4 percent on the year, compared to 29 percent growth in 2000. Five of California's top ten export markets are Asian countries: Japan (#2), Taiwan (#4), Korea (#6), China (#7) and Singapore (#10).

Exports of computer and electronic products dominate the Asian markets. California exported over \$22 billion in computer-related goods to Asia in 2001, accounting for approximately half of all California exports to the region.

The Technology, Trade and Commerce Agency (TTCA) has six offices of trade and investment in Asia, located in [Tokyo](#), [Hong Kong](#), Shanghai, Singapore, [Seoul](#) and Taipei. The directors and staff members of the offices work to foster trade relationships

between California companies and Asian buyers. In addition, the offices assist Asian businesses interested in expanding their operations to California.

<b>CALIFORNIA EXPORTS TO THE ASIAN 10</b> <b>1999-2001</b> <i>(in billions)</i>				
	1999	2000	2001	% change 2000-01
<b>TOTAL ALL COUNTRIES</b>	<b>\$39.3</b>	<b>\$50.7</b>	<b>\$44.9</b>	<b>-11.4</b>
Japan	\$12.8	\$16.4	\$14.6	-11
China (Taiwan)	\$5.4	\$7.3	\$5.6	-23.06
Korea, Republic of	\$5.3	\$6.9	\$5.0	-27.21
China (Mainland)	\$2.4	\$3.5	\$4.6	31.87
Singapore	\$4.6	\$5.0	\$4.2	-15.65
Hong Kong	\$3.6	\$4.1	\$3.9	-5.16
Malaysia	\$2.1	\$2.9	\$2.5	-14.24
Philippines	\$1.5	\$1.9	\$2.0	4.18
Thailand	\$1.2	\$2.0	\$1.8	-11.49
Indonesia	\$ .25	\$ .41	\$ .45	10.91

Source: MISER

## FEATURED ASIAN MARKETS

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### JAPAN

In addition to being California's second-largest export market, Japan is the top foreign direct investor in California, far outpacing all other countries. California exports to Japan, the world's second largest economy, decreased by 11 percent to total \$14.6 billion in 2001. This follows on 27.5 percent growth for all of 2000. The decline in exports was attributable to the overall economic slowdown and the Japanese recession. In addition, the Japanese yen has lost value compared to the dollar. The weakened Japanese currency means that U.S. products are more expensive for Japanese consumers, and thus decreases the demand for imported goods. This was evidenced by a 16 percent drop in the purchase of computer products. Growth sectors include miscellaneous manufactured commodities (+12.7 percent) and chemicals (+14.3 percent). Overall, eight of the top 15 export categories to Japan continued to show positive growth.

Exports to Japan may continue to drop in 2002, depending on the state of the Japanese economy. In addition, the Japanese government recently switched its international trade policy to a focus on export promotion after a long period of import promotion. This new policy will likely cause an even larger trade surplus with the United States.

<b>TOP FIVE CALIFORNIA EXPORTS TO JAPAN, 1999-2001</b> (in billions)				
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>% change 00-01</b>
Computer and electronic products	\$4.9	\$6.3	\$5.3	-16.41
Transportation equipment	\$1.5	\$1.8	\$1.9	3.37
Machinery, except electrical	\$1.4	\$2.7	\$1.8	-33.83
Food and kindred products	\$0.87	\$0.93	\$0.97	4.52
Miscellaneous manufactured commodities	\$0.63	\$0.74	\$0.84	12.68
<b>TOTAL ALL INDUSTRIES</b>	<b>\$12.9</b>	<b>\$16.4</b>	<b>\$14.6</b>	<b>-11</b>

Source: MISER

### **CHINA (MAINLAND)**

California is the leading exporting state to China. Sales to China were up by an impressive 32 percent in 2001, totaling over \$4.6 billion. Sales of computer and electronic products (\$2.5 billion, up 33.3 percent) accounted for 54 percent of total exports to China. The next three largest categories – machinery (up 65.8 percent), waste and scrap (up 74 percent), and chemicals (up 40.4 percent) – all experienced exceptional growth in 2001. China has been California's fastest-growing major export market for the past two years.

Exports to China are expected to increase again in 2002 as the Chinese economy continues to expand. China's recent entry into the World Trade Organization (WTO) should provide additional opportunities for California companies to export their products to the Chinese market. Exceptional export growth opportunities are present in the following industries: telecommunications equipment, oil and gas, medical equipment, pharmaceuticals, and audio/visual equipment. California is a leader in all of these industries.

### **EUROPE**

Europe is California's second largest export market after Asia, with \$24.8 billion in sales for 2001. Exports to Europe account for 23.2 percent of total California export sales. Three European countries are top-ten export markets for California goods: the United Kingdom (#5), Germany (#8) and the Netherlands (#9). France, Italy, Belgium and Ireland consistently rank among California's top 20 export markets. The TTCA operates two offices of trade and investment in Europe: one in [London](#) and one in Frankfurt, Germany.

### **EUROPEAN UNION**

California exports to the European Union (EU) decreased 11.4 percent in 2001 to total \$22.8 billion. This increase follows on 20.4 percent growth for all of 2000. European Union countries purchase 21 percent of California exports.

The United States exported \$159.2 billion worth of goods to the EU in 2001, down slightly by 3.4 percent from 2000. California accounts for over 14 percent of total U.S. exports to the EU.

With \$11.4 billion in sales in 2001, computer and electronic products account for exactly half of California exports to the EU. Other top categories include non-electrical machinery (\$2.4 billion), transportation equipment (\$2.1 billion) and chemicals (\$1.5 billion). The top three export categories experienced decreases in 2001, most likely due to the global economic slowdown and cutbacks in spending on high-tech products.

<b>CALIFORNIA EXPORTS TO THE EUROPEAN UNION, 1999-2001</b>				
<i>(in billions)</i>				
<i>Country</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>% Change 00-01</i>
United Kingdom	\$5.1	\$5.9	\$5.6	-6.6
Germany	4.3	5.2	4.6	-11.5
Netherlands	3.9	4.9	4.3	-12.9
France	2.2	2.9	2.2	-23.8
Italy	1.3	1.5	1.4	-9.2
Belgium	1.0	1.1	1.1	4.1
Ireland	1.1	1.2	1.0	-16.3
Spain	.69	.81	.72	-11.6
Sweden	.59	.68	.61	-10.7
Finland	.31	.34	.30	-11.5
Denmark	.22	.24	.24	-.6
Austria	.17	.21	.23	9.6
Luxembourg	.074	.16	.13	-21.1
Greece	.12	.17	.11	-32.3
Portugal	.068	.074	.066	-11.3
<b>TOTAL</b>	<b>\$21.3</b>	<b>\$25.7</b>	<b>\$22.8</b>	<b>-11.4</b>

Source: MISER

## FEATURED EUROPEAN MARKETS

### UNITED KINGDOM

The United Kingdom has traditionally been one of California's largest export partners. TTCA's London office is responsible for creating export opportunities for California companies in the UK and throughout Europe, the Middle East and Africa. The London and Frankfurt offices jointly sponsor the annual California Information Technology Partnering and Investment Forum or [Cal-IT](#). The conference introduces up and coming California high-technology companies to the European market, creating trade and investment opportunities.

California exports to the United Kingdom (UK) totaled \$5.6 billion for 2001, making the UK California's fifth-largest export market. Two sectors seeing impressive growth were miscellaneous manufactured commodities (+ 17.6 percent) and chemicals (+ 32.3 percent). Computer products, although down for the year by 13.6 percent to \$2.9 billion, account for 53 percent of California exports to the UK.

## GERMANY

As the largest economy in Europe and the third-largest in the world, Germany has long been one of California's major export markets. Germany's world-renowned manufacturing and pharmaceutical industries rely on high-quality products from California exporters. After a 22 percent increase in 2000, California exports to Germany dropped by 11.5 percent in 2001, totaling \$4.6 billion. Many sectors are still experiencing growth, most notably food and kindred products (+35 percent) and miscellaneous manufactured commodities (+22 percent).

The German economy has been especially hard-hit by the global economic slowdown that began in 2001, and is expected to be one of Europe's slowest-growing countries in 2002 and 2003. GDP is predicted to grow by less than one percent this year.

## THE AMERICAS

North American Free Trade Agreement (NAFTA) partners Mexico and Canada are California's first and third largest export markets, respectively. Exports to Mexico and Canada have grown significantly since the NAFTA came into effect in 1995. California exports to the Americas (including the Caribbean, Central and South America) reached \$31.3 billion in 2001, making the Western Hemisphere California's second-largest export market overall. This figure is down 15.6 percent from a record high of \$37.1 billion in 2000. California is the second-largest exporting state to the Americas, after Texas.

Growth in exports to Central America and the Caribbean was particularly impressive in 2001, as sales to most world regions decreased in the face of economic uncertainty. Although these markets represent a small portion of total California exports, they present exceptional opportunities for California companies interested in targeting the growth markets of Latin America and the Caribbean.

California's office of trade and investment in [Mexico City](#) was established in 1989 and assists California businesses in discovering new markets for their products and services in Mexico, Central America, South America, and the Caribbean.

<b>CALIFORNIA EXPORTS TO THE AMERICAS</b> <b>1999-2001</b> <i>(in billions)</i>				
<i>Country/Region</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>% Change 00-01</i>
Mexico	\$13.6	\$17.5	\$16.3	-6.7
Canada	12.4	14.1	11.8	-16
South America	2.6	2.5	2.4	-4.2
Central America	.51	.45	.53	16.9
Caribbean	.2	.21	.23	13

Source: MISER



## FEATURED MARKETS IN THE AMERICAS

### MEXICO

In 2001, **Mexico** retained its position as California's largest export market. California's exports to Mexico slipped 6.7 percent to total \$16.3 billion for the year. This follows on 29 percent growth for all of 2000 and 11 percent growth in 1999. Mexico purchases just over 15% of all California exports.

California's exports to Mexico continue to be driven by computer and electronic products, which account for 41 percent of all California exports to Mexico. In 2001, exports in this sector decreased by 15.3 percent and totaled \$6.8 billion. Key exports to Mexico showing growth in 2001 include: food and kindred products (\$807 million, up 41.7 percent), transportation equipment (\$650 million, up 12.3 percent), and textiles and fabric (\$364.8 million, up 14.5 percent).

California exports to Mexico directly and indirectly support approximately 228,000 jobs in the Golden State, with more than 150,000 of these jobs resulting from export growth under NAFTA.

CALIFORNIA EXPORTS TO MEXICO, 2000-01				
	DESCRIPTION	2000	2001	% Change 2000-01
	<b>TOTAL ALL INDUSTRIES</b>	<b>\$17.5</b>	<b>\$16.3</b>	<b>-6.69</b>
1	Computer and electronic products	8.0	6.8	-15.27
2	Machinery, except electrical	1.3	1.3	1.91
3	Food and kindred products	.57	.80	41.68
4	Fabricated metal products	.74	.78	5.22
5	Plastics and rubber products	.72	.76	5.96
6	Chemicals	.64	.69	7.66
7	Transportation equipment	.58	.65	12.26
8	Electrical equipment, appliances, and component	.76	.62	-18.6
9	Paper	.58	.56	-3.08
10	Apparel and accessories	.57	.54	-5.29

Source: MISER

### CANADA

Canada is California's third largest export market, although California exports to Canada in 2001 decreased by 16 percent to \$11.8 billion. This followed on a 13.7 percent increase for all of 2000. Canada purchases 11 percent of all California exports.

The decrease in exports to Canada was mainly due to a 30 percent fall in the export of computer and electronic products to \$5.4 billion. However, computers and electronic products remained California's largest exports to Canada, accounting for nearly 46 percent of all California exports to Canada.

Transportation equipment exports to Canada increased 44.5 percent to \$1 billion.

California exports to Canada directly and indirectly support approximately 180,000 jobs in California, with 89,000 of those resulting from export growth under NAFTA.

### **BRAZIL and MERCOSUR**

With a GDP of over \$1.26 billion, Brazil is the second-largest economy in Latin America, after Mexico, and is California's largest export market in South America. Export sales totaled nearly \$1.2 billion in 2001, a decrease of 8.8 percent from 2000. While sales of computer-related goods to Brazil dropped in 2001, exports in several other leading categories grew. Industries showing strong growth include transportation equipment (up 23 percent to \$161 million), chemicals (up 80.5 percent to \$111.7 million) and non-electrical machinery (up 20 percent to 78 million). TTCA's [Argentina](#) office assists California companies in selling their products throughout South America.

California exports to the MERCOSUR economies (Brazil, Argentina, Paraguay and Uruguay) decreased 9.8 percent in 2001 to \$1.5 billion. Exports to Argentina were down by 20.3 percent to \$300.3 million. Despite the overall decrease in exports to MERCOSUR, several export sectors saw impressive growth.

In a surprising jump, exports to Paraguay, the smallest MERCOSUR economy, increased by 173 percent, totaling \$26.4 million. Last year, exports to Paraguay only reached \$9.7 million. Computer exports to Paraguay increased by 391% from 2000, growing from \$4.6 million to nearly \$23 million in 2001.

<b>CALIFORNIA EXPORTS TO MERCOSUR COUNTRIES,</b> <b>1999-2001</b> <i>(in millions)</i>				
<i>Country</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>% Change 00-01</i>
Brazil	\$1,240	\$1,298	\$1,183	-8.8
Argentina	404.7	377.1	300.3	-20.4
Uruguay	29.8	26.9	33.6	25
Paraguay	9.2	9.7	26.4	173
Chile*	279.1	283.3	280.6	-.96
Bolivia*	9.5	6.4	11.4	76

Source: MISER

\* Associate member

### **MIDDLE EAST**

California exports to the Middle East totaled nearly \$1.5 billion in 2001, a decrease of 19 percent from 2000. The downturn in export sales can be attributed to the global economic slowdown as well as increased violence and political turmoil in the region.

The TTCA maintains a trade office in [Israel](#) that assists California businesses interested in selling goods to Israel and other areas in the Middle East. The Middle East is a small market for California products, but as the region continues to develop, demand for high-technology goods is expected to increase.

Despite the general drop in exports, sales to several markets expanded in 2001. Exports to Kuwait grew by 20.5 percent and sales to Lebanon and Bahrain increased by 40 and 90 percent, respectively. Growth industries included chemicals (up 37.3 percent), food and kindred products (up 90 percent) and electrical equipment (up 20.4 percent).

## AFRICA

The African continent is also a relatively small market for California exporters, but there are opportunities for growth in Africa, particularly in the agribusiness and telecommunications equipment industries. California's trade office in [South Africa](#) is a resource for exporters interested in breaking into the African markets. California exports to Africa reached \$502.1 million in 2001, an increase of 2 percent from the previous year. Of this amount, \$212 million worth of exports were sold to the Republic of South Africa. Several African countries showed impressive growth. Exports to Nigeria grew by 137.6 percent, sales to Senegal increased by 62.2 percent and sales to Namibia skyrocketed by 917.4 percent in 2001. In addition, export sales increased in many categories, most notably in transportation equipment (up 14 percent), miscellaneous manufactured commodities (up 31 percent) and chemicals (up 36.5 percent).

<b>CALIFORNIA EXPORTS TO AFRICA</b> <b>TOP TEN EXPORT MARKETS, 2000-2001</b> <i>(in millions)</i>				
	<i>Description</i>	<i>ANNUAL 2000</i>	<i>ANNUAL 2001</i>	<i>% Change 2000-01</i>
	<b>AFRICA TOTAL</b>	<b>\$492.1</b>	<b>\$502.1</b>	<b>2.02</b>
1	Republic of South Africa	244.2	211.9	-13.19
2	Egypt	99.5	88.1	-11.42
3	Nigeria	10.3	24.6	137.62
4	Morocco	20.9	23.2	11.28
5	Senegal	11.9	19.3	62.22
6	Tunisia	13.6	16.2	18.94
7	Kenya	11.2	13.4	19.77
8	Algeria	12.0	11.2	-6.42
9	Ghana	7.6	9.5	24.42
10	Namibia	.84	8.6	917.42

Source: MISER

## OCEANIA

California exports to the Oceania region, including Australia and New Zealand along with numerous island nations in the Pacific Ocean, totaled \$2.53 billion in 2001. This represents a decrease of 13 percent from the previous year. Australia is California's 14<sup>th</sup> largest export market, and purchased \$2.1 million worth of exports in 2001, down 14.6 percent from 2000. Sales to New Zealand, California's 27<sup>th</sup> largest market, totaled \$340.8 million in 2001, a 6 percent decrease from 2000. California is the largest U.S.

exporting state to Oceania, edging out second-place Washington by over \$1 billion. Total U.S. exports to Oceania reached \$13.4 billion in 2001 and dropped by 9.4 percent from 2000.

## **CONCLUSION**

The key to California's economic success as the nation's largest exporting state is its diversity in terms of industries and export markets. California is home to several leading industry clusters, such as aerospace and defense, film and entertainment, biotechnology, agriculture and agribusiness, information technology, computer software and hardware, and myriad other manufacturing technology fields. While exports of computer-related products account for nearly half of all California overseas sales, it is important to note that California's competence in so many industries helps to keep the state afloat through good and bad economic times. In a similar vein, California's trade relationships with major world regions is such that although over 40 percent of exports are sold to Asia, the European and Latin American markets are also highly significant. Exports to Latin America are expected to increase when the Free Trade Area of the Americas is implemented in 2005, and exports to Europe may rise when the European Union accepts up to ten new member countries within the next couple of years.

California's network of overseas trade and investment offices are a major component of the state's success in international markets. Together with the Office of Export Development and the Office of Foreign Investment, the overseas offices promote exports and foreign investment by matching California products and services with foreign buyers. The offices also collect trade leads, offer counseling on market penetration strategies and advertise and promote California as a supplier and location for investment. Additionally, the offices organize foreign investment and buying missions to California and support businesses in foreign trade shows throughout the world.

The decline in California exports for 2001 can be attributed to the global economic slowdown that began in the second quarter of 2001, but California is more insulated against economic downturns because of its diverse economy. There are many signs indicating that the California and U.S. economies are rebounding, and as a result, California should see improved export numbers in 2002.